Allan International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code:684)

INTERIM REPORT **2019/2020**

CORPORATE INFORMATION

BOARD OF DIRECTORS
Executive Directors
Ms. Cheung Lai Chun, Maggie *(Chairman)*
Mr. Cheung Shu Wan *(Managing Director)*
Ms. Cheung Lai See, Sophie
Dr. Cheung Shu Sang, William

Non-Executive Director
Mr. Cheung Lun *(Honorary Chairman)*

Independent Non-Executive Directors
Ms. Choy Wai Sheun, Susan
(appointed on 29 August 2019)
Mr. Lai Ah Ming, Leon
Professor Lo Chung Mau

COMPANY SECRETARY
Ms. Wong Lai Yung

QUALIFIED ACCOUNTANT
Ms. Wong Lai Yung

AUDIT COMMITTEE
Ms. Choy Wai Sheun, Susan*
(appointed on 29 August 2019)
Mr. Lai Ah Ming, Leon
Professor Lo Chung Mau

REMUNERATION COMMITTEE
Mr. Lai Ah Ming, Leon*
Ms. Choy Wai Sheun, Susan
(appointed on 29 August 2019)
Ms. Cheung Lai See, Sophie

AUDITORS
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Certified Public Accountants
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PRINCIPAL BANKER
The Hongkong and Shanghai
Banking Corporation Limited

SHARE REGISTRARS AND TRANSFER OFFICE
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HONG KONG BRANCH REGISTRARS AND TRANSFER OFFICE
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STOCK CODE
684

* Chairman of the relevant Board Committee

Deloitte. 德勤

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF ALLAN INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Allan International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 4 to 29, which comprises the condensed consolidated statement of financial position as of 30 September 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 November 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		Six months ended 30 September	
		2019	2018
		(Unaudited)	(Unaudited)
	NOTES	**HK$'000**	HK$'000
Revenue	*3*	**568,691**	644,216
Cost of sales		**(492,679)**	(613,806)
Gross profit		**76,012**	30,410
Other income	*4*	**9,451**	24,481
Other gains and losses		**4,844**	3,537
Selling and distribution expenses		**(10,983)**	(12,541)
Administrative expenses		**(51,656)**	(52,366)
(Loss) gain from changes in fair value of investment properties		**(21,995)**	44,400
Impairment losses under expected credit model, net of reversal		**(253)**	(393)
Finance costs on bank loan		**(586)**	(420)
Profit before tax		**4,834**	37,108
Income tax expense	*5*	**(3,687)**	(874)
Profit for the period	*6*	**1,147**	36,234
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of manufactory plants and right-of-use assets transferred to investment properties	*9*	**114,410**	–
Deferred taxation on gain on revaluation of manufactory plants and right-of-use assets transferred to investment properties	*9*	**(28,603)**	–
		85,807	–

	NOTE	Six months ended 30 September 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(14,215)**	(10,230)
Net fair value gain (loss) on debt instruments at fair value through other comprehensive income		**408**	(386)
Reclassified to profit or loss upon disposal of debt instruments at fair value through other comprehensive income		**–**	(16)
		(13,807)	(10,632)
Other comprehensive income (expense) for the period		**72,000**	(10,632)
Total comprehensive income for the period		**73,147**	25,602
Earnings per share	*7*		
Basic		**HK0.34 cents**	HK10.80 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	NOTES	30 September 2019 (Unaudited) HK$'000	31 March 2019 (Audited) HK$'000
Non-current assets			
Investment properties	9	**525,840**	327,400
Property, plant and equipment	10	**49,999**	154,654
Right-of-use assets		**4,418**	–
Prepaid lease payments		**–**	19,221
Club debentures		**13,176**	13,176
Deposits paid for acquisition of property, plant and equipment		**2,498**	1,174
		595,931	515,625
Current assets			
Inventories		**72,157**	76,180
Trade receivables	11	**261,563**	250,535
Other receivables		**16,462**	16,967
Mould deposits paid		**9,494**	11,179
Prepaid lease payments		**–**	608
Financial assets at fair value through profit or loss		**35,805**	35,156
Debt instruments at fair value through other comprehensive income		**27,591**	31,108
Tax recoverable		**529**	810
Short-term deposits		**201,240**	160,641
Bank balances and cash		**387,517**	397,949
		1,012,358	981,133

	NOTES	30 September 2019 (Unaudited) HK$'000	31 March 2019 (Audited) HK$'000
Current liabilities			
Trade payables	*12*	**182,175**	140,835
Other payables and accruals		**99,030**	110,627
Mould deposits received		**22,649**	31,148
Tax liabilities		**37,560**	36,740
Secured bank loan – due within one year		**5,124**	5,124
		346,538	324,474
Net current assets		**665,820**	656,659
Total assets less current liabilities		**1,261,751**	1,172,284
Non-current liabilities			
Deferred tax liabilities		**36,198**	7,253
Secured bank loan – due after one year		**28,599**	31,161
		64,797	38,414
Net assets		**1,196,954**	1,133,870
Capital and reserves			
Share capital	*13*	**33,543**	33,543
Reserves		**1,163,411**	1,100,327
		1,196,954	1,133,870

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 31 March 2018 (audited)	33,543	109,884	793	–	631	31,408	961,755	1,138,014
Adjustment	–	–	–	–	(981)	–	(38)	(1,019)
At 1 April 2018 (restated)	33,543	109,884	793	–	(350)	31,408	961,717	1,136,995
Profit for the period	–	–	–	–	–	–	36,234	36,234
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(10,230)	–	(10,230)
Net fair value loss on debt instruments at fair value through other comprehensive income	–	–	–	–	(386)	–	–	(386)
Cumulative gain reclassified to profit or loss on disposal of debt instruments at fair value through other comprehensive income	–	–	–	–	(16)	–	–	(16)
Other comprehensive expenses for the period	–	–	–	–	(402)	(10,230)	–	(10,632)
Total comprehensive (expenses) income for the period	–	–	–	–	(402)	(10,230)	36,234	25,602
Dividends recognised as distribution *(note 8)*	–	–	–	–	–	–	(20,126)	(20,126)
At 30 September 2018 (unaudited)	33,543	109,884	793	–	(752)	21,178	977,825	1,142,471
At 31 March 2019 (audited)	33,543	109,884	793	–	(1)	23,295	966,356	1,133,870
Profit for the period	–	–	–	–	–	–	1,147	1,147
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(14,215)	–	(14,215)
Net fair value gain on debt instruments at fair value through other comprehensive income	–	–	–	–	408	–	–	408
Revaluation gain on manufactory plants and right-of-use assets transferred to investment properties *(note 9)*	–	–	–	114,410	–	–	–	114,410
Deferred taxation on revaluation gain on manufactory plants and right-of-use assets transferred to investment properties *(note 9)*	–	–	–	(28,603)	–	–	–	(28,603)
Other comprehensive income (expenses) for the period	–	–	–	85,807	408	(14,215)	–	72,000
Total comprehensive income (expenses) for the period	–	–	–	85,807	408	(14,215)	1,147	73,147
Dividends recognised as distribution *(note 8)*	–	–	–	–	–	–	(10,063)	(10,063)
At 30 September 2019 (unaudited)	33,543	109,884	793	85,807	407	9,080	957,440	1,196,954

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit before tax	**4,834**	37,108
Adjustment for:		
Depreciation of property, plant and equipment	**8,515**	15,261
Loss (gain) from changes in fair value of investment properties	**21,995**	(44,400)
Amortisation of deferred income	**–**	(17,649)
Other items	**(3,525)**	(562)
Operating cash flows before movements in working capital	**31,819**	(10,242)
Increase in trade receivables	**(11,287)**	(6,498)
Decrease in other receivables	**59**	4,261
Increase in inventories	**(310)**	(21,525)
Decrease (increase) in mould deposit paid	**1,685**	(483)
Increase in trade payables	**48,977**	56,364
Decrease in other payables and accruals	**(6,570)**	(3,420)
(Decrease) increase in mould deposit received	**(8,499)**	1,003
Cash generated from operations	**55,874**	19,460
Income taxes paid	**(2,244)**	(1,890)
Net cash from operating activities	**53,630**	17,570

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash (used in) from investing activities		
Withdrawal of short-term deposits	**91,250**	317,479
Proceeds from disposal of:		
– financial assets at fair value through profit or loss	**–**	4,210
– debt instruments at fair value through other comprehensive income	**3,925**	5,598
Interest received	**3,810**	2,251
Proceeds on disposal of property, plant and equipment	**620**	300
Deposit received from disposal of assets classified as held for sales	**–**	23,656
Purchases of:		
– financial assets at fair value through profit or loss	**–**	(6,362)
– debt instruments at fair value through other comprehensive income	**–**	(5,529)
Placement of short-term deposits	**(131,849)**	(284,451)
Purchase of property, plant and equipment	**(8,893)**	(5,306)
Deposits paid for acquisition of property, plant and equipment	**(3,997)**	(8,472)
	(45,134)	43,374
Cash used in financing activities		
Dividends paid	**(10,063)**	(20,126)
Repayment of bank loan	**(2,562)**	(2,562)
Interest paid	**(586)**	(420)
	(13,211)	(23,108)
Net (decrease) increase in cash and cash equivalents	**(4,715)**	37,836
Cash and cash equivalents at beginning of the period	**397,949**	469,572
Effect of foreign exchange rate changes	**(5,717)**	(8,997)
Cash and cash equivalents at end of the period, represented by bank balances and cash	**387,517**	498,411

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and accounting policies disclosed below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases ("HKFRS 16")

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of staff quarter and office that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses.

The cost of right-of-use asset includes any lease payments made at or before commencement date.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment properties as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 April 2019, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference, if any, at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Notes	**At 1 April 2019** (Unaudited) HK$'000
Reclassified from property, plant and equipment	*(a)*	120
Reclassified from prepaid lease payments	*(b)*	19,829
		19,949
By class:		
Leasehold lands		19,949

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 March 2019 (Audited) HK$'000	Adjustments (Unaudited) HK$'000	Carrying amounts under HKFRS 16 at 1 April 2019 (Unaudited) HK$'000
Non-current assets				
Right-of-use assets		–	19,949	19,949
Property, plant and equipment	*(a)*	154,654	(120)	154,534
Prepaid lease payments	*(b)*	19,221	(19,221)	–
Current asset				
Prepaid lease payments	*(b)*	608	(608)	–

Notes:

(a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to HK$120,000 as right-of-use assets.

(b) Upfront payments for leasehold lands in the People's Republic of China (the "PRC") were classified as prepaid lease payments as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$608,000 and HK$19,221,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. No adjustments were made to refundable rental deposits received and advance lease payments as the directors of the Company determined the impact was immaterial to the condensed consolidated financial statements of the Group for the current period.

(b) Effective on 1 April 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

2.2 Accounting policies on property, plant and equipment

Transfer from owner-occupied property to investment property carried at fair value

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant prepaid lease payments) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

2.3 Significant changes in significant judgements

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios in Hong Kong and PRC, and concluded that the Group's investment properties in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties in Hong Kong, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred taxes on changes in fair value of investment properties in Hong Kong as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

The directors of the Company concluded that the Group's investment properties in PRC are held under a business model whose objective is to earn rental which consume substantially all of the economic benefits embodies in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties in PRC, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. The Group has recognised deferred taxes on changes in fair value of investment properties in PRC as the Group is subject to income tax rate of 25% on the fair value changes of the investment properties.

3. REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are manufacturing and trading of household electrical appliance. Revenue of the Group are sales of household electrical appliance.

As at 30 September 2019, all received purchase orders are expected to be completed within 1 year.

Information reported to the Company's executive directors, the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on geographical regions.

The Group is currently organised into four operating divisions – Europe sales, America sales, Asia sales and other regions sales. The information reported to the Group's CODM for the purposes of resource allocation and assessment of performance is based on these operating divisions. During the six months ended 30 September 2019, the Group had no material change in segment assets and segment liabilities.

The following is an analysis of the Group's revenues and results for each of the reportable and operating segments.

Six months ended 30 September 2019

	Europe (Unaudited) HK$'000	America (Unaudited) HK$'000	Asia (Unaudited) HK$'000	Other regions (Unaudited) HK$'000 *(Note a)*	Consolidated (Unaudited) HK$'000
Segment revenue *(Note a)*	**246,665**	**206,970**	**92,054**	**23,002**	**568,691**
Segment profit	**14,460**	**12,133**	**5,397**	**1,348**	**33,338**
Other gains and losses (except net foreign exchange gain)					**986**
Depreciation (except moulds)					**(8,023)**
Loss from changes in fair value of investment properties					**(21,995)**
Finance costs on bank loan					**(586)**
Unallocated income and expenses, net *(Note b)*					**1,114**
Profit before tax					**4,834**

Six months ended 30 September 2018

	Europe (Unaudited) HK$'000	America (Unaudited) HK$'000	Asia (Unaudited) HK$'000	Other regions (Unaudited) HK$'000 *(Note a)*	Consolidated (Unaudited) HK$'000
Segment revenue *(Note a)*	292,013	178,142	152,366	21,695	644,216
Segment loss	(3,469)	(2,116)	(1,810)	(258)	(7,653)
Other gains and losses (except net foreign exchange gain)					(236)
Depreciation (except moulds)					(14,006)
Gain from changes in fair value of investment properties					44,400
Finance costs on bank loan					(420)
Unallocated income and expenses, net *(Note b)*					15,023
Profit before tax					37,108

Notes:

(a) The allocation of segment revenue is determined based on destinations of shipment of products.

(b) Unallocated income and expenses, net, represented other income, central administration costs and directors' salaries.

Segment profit (loss) represents the profit (loss) earned by each segment without allocation of other income, central administration cost and directors' salaries, other gains and losses (except net foreign exchange gain), depreciation (except for moulds), (loss) gain from changes in fair value of investment properties and finance costs on bank loans. This is the measure reported to the Group's CODM for the purposes of resource allocation and performance assessment. Revenue reported above represents revenue generated from external customers. There is no inter-segment sales in both periods.

4. OTHER INCOME

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Rental income	**4,147**	3,462
Interest income	**3,470**	1,907
Amortisation of deferred income	–	17,649
Building management fee income	**1,215**	473
Others	**619**	990
	9,451	24,481

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax:		
Hong Kong	**698**	598
PRC Enterprise Income Tax	**2,647**	841
	3,345	1,439
Deferred taxation	**342**	(565)
	3,687	874

6. PROFIT FOR THE PERIOD

	Six months ended 30 September 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
Profit for the period has been arrived at after (crediting) charging:		
Net gain arising on financial assets measured at FVTPL	**(989)**	(120)
Disposal of debt instruments measured at FVTOCI	**–**	(16)
Depreciation of right-of-use assets	**92**	–
Release of prepaid lease payments	**–**	313
Depreciation of property, plant and equipment	**8,515**	15,261
Net foreign exchange gain	**(3,858)**	(3,764)
(Gain) loss on disposal of property, plant and equipment	**(175)**	45
Write-off of property, plant and equipment	**178**	310
Impairment loss recognised in respect of trade receivables	**253**	393
Cost of inventories	**492,679**	613,806
Minimum lease payments paid during the period under operating leases in respect of rented premises	**–**	2,677
Expenses relating to short-term leases in respect of rented premises	**1,809**	–

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	**1,147**	36,234

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	Number of shares	Number of shares
	'000	'000
Number of ordinary shares for the purpose of basic earnings per share	**335,433**	335,433

No diluted earnings per share has been presented for both periods as there were no potential ordinary shares in issue.

8. DIVIDENDS

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Dividends recognised as distribution during the period		
2019 final dividend of HK3 cents (2018: HK6 cents for 2018 final dividend) per ordinary share	**10,063**	20,126

Subsequent to 30 September 2019, the board of directors has declared that an interim dividend of HK2 cents per share (2018: HK1 cent per share) amounting to HK$6,709,000 in aggregate (2018: HK$3,354,000) will be paid on 16 January 2020 to the shareholders of the Company whose names appear on the Register of Members 23 December 2019.

9. INVESTMENT PROPERTIES

Manufactory plants with carrying values of HK$103,085,000 and the related right-of-use assets with carrying value of HK$15,452,000 were transferred to investment properties on 1 April 2019 and measured using the fair value model. The fair value of the property and the right-of-use assets on the date of transfer was HK$232,947,000 in aggregate, resulting in a revaluation gain of HK$114,410,000 and a deferred tax of HK$28,603,000, in other comprehensive income and accumulated in property revaluation reserve. On 10 April 2019, the Group has leased a portion of the manufactory plants to an independent third party.

Other than transfer from property, plant and equipment mentioned above, during the current interim period, the Group's additions on investment properties located in the PRC were approximately HK$1,425,000 (six months ended 30 September 2018: nil).

The Group's investment properties as at the end of the current interim period were fair valued by RHL Appraisal Ltd., a firm of independent qualified professional surveyor not connected to the Group. The fair value of investment properties located in Hong Kong was determined based on the direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and the fair value of investment properties located in the PRC was determined based on term and reversion analysis of investment method by capitalising rental income on a fully leased basis having regard to the current passing rental income from existing tenancy and the potential reversionary rental income at market level. The resulting net decrease (increase) in fair value of investment properties of HK$21,995,000 (six months ended 30 September 2018: HK$44,400,000) has been recognised directly in profit or loss for the six months ended 30 September 2019.

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group's additions on property, plant and equipment were approximately HK$10,067,000 (six months ended 30 September 2018: HK$5,787,000). The additions mainly comprised HK$2,554,000 spent on plant and machinery (six months ended 30 September 2018: HK$642,000), HK$495,000 spent on motor vehicles (six months ended 30 September 2018: HK$829,000), HK$5,869,000 on furniture, fixtures and equipment (six months ended 30 September 2018: HK$1,865,000), HK$1,149,000 on moulds and tools (six months ended 30 September 2018: HK$510,000) and nil on construction in progress (six months ended 30 September 2018: HK$1,941,000). In addition, manufactory plants of HK$103,085,000 were transferred to investment properties as disclosed in note 9. No material disposal of property, plant and equipment was made during both periods.

11. TRADE RECEIVABLES

	30 September 2019 (Unaudited) HK$'000	31 March 2019 (Audited) HK$'000
Trade receivables		
– sales of goods	**263,129**	251,848
Less: Allowance for credit loss	**(1,566)**	(1,313)
	261,563	250,535

The Group allows an average defined credit period up to 90 days to its trade customers. The following is an analysis of trade receivables by age, presented based on the invoice date, which approximated the revenue recognition date:

	30 September 2019 (Unaudited) HK$'000	31 March 2019 (Audited) HK$'000
0 – 90 days	**219,592**	198,339
91 – 120 days	**41,773**	51,909
> 120 days	**1,764**	1,600
	263,129	251,848

12. TRADE PAYABLES

The following is an analysis of trade payables, by age, presented based on the invoice date:

	30 September 2019 (Unaudited) HK$'000	31 March 2019 (Audited) HK$'000
0 – 90 days	**158,611**	130,535
91 – 120 days	**20,334**	8,505
> 120 days	**3,230**	1,795
	182,175	140,835

13. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 April 2018, 30 September 2018, 1 April 2019 and 30 September 2019	600,000,000	60,000
Issued and fully paid:		
At 1 April 2018, 30 September 2018, 1 April 2019 and 30 September 2019	335,432,520	33,543

14. CAPITAL COMMITMENTS

	30 September 2019 (Unaudited) HK$'000	31 March 2019 (Audited) HK$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**1,675**	876

15. RELATED PARTY TRANSACTIONS

a) Expenses relating to short-term leases (2018: operating lease expenses) of the Group to the related parties are as follows:

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Immediate holding company		
Allan Investment Company Limited	**450**	450
Fellow subsidiaries		
Ardent Investment Limited	**764**	–
Income Village Limited	**102**	102
Fair Pacific Limited	**492**	492

b) During the current interim period, the emoluments paid to the directors amounted to HK$5,617,000 (six months ended 30 September 2018: HK$6,443,000). There is no key management personnel other than the directors of the Company.

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	**Fair value as at**		**Fair value hierarchy**	**Valuation techniques and key inputs**
	30 September 2019 (Unaudited) HK$'000	31 March 2019 (Audited) HK$'000		
Unit-linked funds – classified as financial assets at FVTPL	**24,669**	18,698	Level 2	Redemption value quoted by the relevant investment funds with reference to the underlying assets of the funds
Listed debt securities			Level 1	Quoted bid prices in an active market
– classified as debt instruments measured at FVTOCI	**27,591**	31,108		
– classified as financial assets at FVTPL	**11,136**	16,458		

There were no transfers between Level 1 and 2 during the period.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2019, the Group's sales turnover decreased by 12% to HK$568,691,000 (2018: HK$644,216,000) and the consolidated net profit decreased by 97% to HK$1,147,000 (2018: HK$36,234,000). Basic earnings per share of the Group for the six months ended 30 September 2019 was HK0.34 cents (2018: HK10.80 cents). The Board of Directors has resolved that an interim dividend of HK2 cents (2018: HK$1 cent) per share would be paid on 16 January 2020 to shareholders registered on 23 December 2019.

BUSINESS REVIEW

The Group is engaged in design, manufacturing and trading of a wide range of household electrical appliances.

For the six months ended 30 September 2019, sales turnover decreased by 12% to HK$568,691,000. During the period, business suffered due to keen competition within the industry, volatile business environment and sluggish customer sentiments. Sales turnover to Europe decreased by 16% to HK$246,665,000 representing 44% of the Group's sales turnover. Sales turnover to America increased by 16% to HK$206,970,000 representing 36% of the Group's sales turnover. Sales turnover to Asia decreased by 40% to HK$92,054,000 representing 16% of the Group's sales turnover. Sales turnover to other markets increased by 6% to HK$23,002,000 representing 4% of the Group's sales turnover.

For the six months ended 30 September 2019, approximately 15% of our sales turnover was affected by the Sino-US trade war and subject to tariffs going into the USA. A few customers were affected when List 3 and List 4A became effective on 28 September 2018 and 1 September 2019 respectively. These customers were bearing the tariff costs themselves. To mitigate the US tariff impact, we have been actively seeking non-PRC manufacturing partners overseas.

Gross profit for the six months ended 30 September 2019 increased by 150% to HK$76,012,000 (2018: HK$30,410,000). Gross profit margin increased from 5% to 13%. The increase in gross profit margin was mainly due to stabilising material costs, depreciation of the Renminbi and the cost savings from the consolidation of manufacturing facilities into one single location at Lilin in Huizhou, PRC. The relocation commenced in April 2019 and was completed smoothly.

An amortisation of deferred income of HK$17,649,000 arising from the sale and leaseback arrangement of the Group's previous main office at 12/F, Zung Fu Industrial Building, 1067 King's Road, Hong Kong was recorded under other income for the six months ended 30 September 2018. Since the sales price of the property was above its fair value, the excess over fair value was deferred and amortized over the lease term of three years. The lease was early terminated at end of September 2018 and hence no such income was recorded for the current period.

We continued to apply stringent cost control measures to all aspects of our operations. Selling and distribution costs decreased by 12.4% to HK$10,983,000 (2018: HK$12,541,000). As a percentage to sales turnover, selling and distribution costs maintained at 1.9% as compared to corresponding period last year. Administrative expenses decreased by 1.4% to HK$51,656,000 (2018: HK$52,366,000). As a percentage to sales turnover, administrative expenses increased from 8.1% to 9.1% as compared to corresponding period last year.

Investment properties located in Wanchai, Hong Kong were revaluated at HK$305,400,000 at 30 September 2019 (31 March 2019: HK$327,400,000), resulting in a decrease in fair value of HK$22,000,000 for the period under review. During the same period for the previous year, there had been an increase in fair value of HK$44,400,000 from the same investment properties in Hong Kong.

Subsequent to the relocation of the operation of the factories located in Hui Nan Hi-Tech Industrial Park, the site including the three factory blocks with carrying value of RMB101,313,000 (HK$118,537,000) were reclassified as investment properties. This was revaluated at 1 April 2019 at RMB199,100,000 (HK$232,947,000), resulting in a revaluation gain of HK$114,410,000 in other comprehensive income and accumulated in property revaluation reserve. At 30 September 2019, this investment properties was revaluated at RMB200,400,000 (HK$220,440,000) giving rise to an increase in fair value of HK$5,000 and a translation loss of HK$14,011,000. Currently, one factory block has been leased out since April 2019 to an independent third party.

Net profit decreased by 97% to HK$1,147,000 (2018: HK$36,234,000). Net profit margin decreased from 5.6% to 0.2% as compared to corresponding period last year. If the effect of changes in fair value of investment properties is segregated, the operating net profit would be HK$23,142,000 (2018: loss of HK$8,166,000) representing a net operating profit of 4.1% (2018: loss of 1.3%).

BUSINESS OUTLOOK

It is quite impossible to predict the outlook amidst the current business environment and economic conditions. The BREXIT situation and effects are still uncertain. The Sino-US trade war is still on-going and unresolved. If the List 4B becomes effective on 15 December 2019, then all our sales into the USA would be affected and subject to US tariffs. In the event of this happening, it would definitely impact the Group adversely as approximately 32% of the Group's sales turnover is export to the USA during the six months under review. Although our customers will be bearing the tariffs, it would no doubt cause hesitation from our customers to place orders from the PRC. As such, to mitigate the negative impact, we are actively seeking non-PRC manufacturing partners overseas.

We will continue to stay focused in our core business and invest in our engineering and R&D capabilities to offer total project management with unique and innovative product platforms to our customers. We will continue to seek growth through expansion in our customer base and product base and look for new business opportunities to create greater value to our shareholders.

The vacating of the two remaining factory blocks located in Hui Nan Hi-Tech Industrial Park was completed. We will seek suitable tenants for the two factory blocks. We would also closely monitor the market condition and development policy in Huizhou so as to realise the value of the investment properties situated in Hui Nan Hi-Tech Industrial Park.

With our prudent and pragmatic business approach, financial strength and commitment to excel, we will strive on and tread cautiously to ride through the current and coming difficulties and challenges.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2019, the Group had total assets of HK$1,608,289,000 (31 March 2019: HK$1,496,758,000) which was financed by current liabilities of HK$346,538,000 (31 March 2019: HK$324,474,000), long-term liabilities and deferred taxation of HK$64,797,000 (31 March 2019: HK$38,414,000) and shareholders' equity of HK$1,196,954,000 (31 March 2019: HK$1,133,870,000).

The Group continued to maintain a strong and healthy balance sheet and liquidity position. As at 30 September 2019, the Group held HK$588,757,000 (31 March 2019: HK$558,590,000) in cash and bank deposits. They were mainly placed in Renminbi and US dollar short term deposits, except for temporary balances held in other currencies as required pending specific payments. As at the same date, total borrowings were HK$33,723,000 (31 March 2019: HK$36,285,000) and the gearing ratio (ratio of borrowings to shareholders' equity) was 2.8% (31 March 2019: 3.2%).

We continue to apply stringent control over the working capital cycle. The inventory balance as at 30 September 2019 was HK$72,157,000 (31 March 2019: HK$76,180,000). Inventory turnover improved from 29 days to 27 days. The trade receivables balance as at 30 September 2019 was HK$261,563,000 (31 March 2019: HK$250,535,000). Trade receivables turnover increased from 76 days to 84 days. The trade payables balance as at 30 September 2019 was HK$182,175,000 (31 March 2019: HK$140,835,000). Trade payables turnover increased from 46 days to 67 days.

Funding for day-to-day operational working capital and capital expenditures are to be serviced by internal cash flow and available banking facilities. For the six months ended 30 September 2019, the Group invested HK$10,067,000 (2018: HK$5,787,000) in property, plant and machinery, mould and tools, equipment, computer systems and other tangible assets for expansion and upgrade to our manufacturing facilities. These investments were funded by internal resources. With our healthy financial position and available banking facilities, the Group is able to provide sufficient financial resources for our current commitments, working capital requirements, further expansions of the Group's business operations and future investment opportunities, as and when required.

The majority of the group's assets and liabilities and business transactions were denominated in Hong Kong dollars, US dollars and Renminbi. Currently, the Group does not implement hedging activity to hedge against foreign currency exposure. However, we will closely monitor foreign currency exposure and consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2019, the Group employed approximately 2,650 employees (2018: 3,380). The majority of our employees work in the PRC. The Group remunerated our employees based on their performances, experiences and prevailing market rates while performance bonuses are granted on a discretionary basis. Share options may also be granted to employees based on individual performance and attainment of certain set targets.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2019, the interests of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Long Positions in the Shares of the Company

Name	Capacity	Number of ordinary shares held: Personal Interest	Number of ordinary shares held: Other interest	Total	Approximate % of the issued share capital of the Company
Mr. Cheung Lun	Founder of discretionary trust	–	156,349,960 *(Note)*	156,349,960	46.61%
Mr. Cheung Shu Wan	Beneficial Owner	49,695,335			
	Beneficiary of trust		156,349,960 *(Note)*	206,045,295	61.43%
Ms. Cheung Lai Chun, Maggie	Beneficial Owner	600,000			
	Beneficiary of trust		156,349,960 *(Note)*	156,949,960	46.79%
Ms. Cheung Lai See, Sophie	Beneficial Owner	1,258,000			
	Beneficiary of trust		156,349,960 *(Note)*	157,607,960	46.99%
Dr. Cheung Shu Sang, William	Beneficial Owner	900,000			
	Beneficiary of trust		156,349,960 *(Note)*	157,249,960	46.88%

Note:

The references to 156,349,960 shares relate to the same block of shares in the Company, of which 134,821,960 shares are held by Allan Investment Company Limited ("AICL"), 14,958,000 shares are held by Commence Investment Limited ("CIL") and 6,570,000 shares are held by Unison Associates Limited ("UAL"), AICL and CIL are owned as to 89% and 100% respectively by UAL. Mr. Cheung Lun is the settlor of The Cheung Lun Family Trust ("Trust"). Credit Suisse Trust Limited as trustee of the Trust holds 100% of the shareholding of UAL and the discretionary beneficiaries of the Trust are, among others, Mr. Cheung Shu Wan, Ms. Cheung Lai Chun, Maggie, Ms. Cheung Lai See, Sophie and Dr. Cheung Shu Sang, William.

Save as disclosed above, none of the directors or chief executives, nor their associates, of the Company had, as at 30 September 2019, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 30 September 2019, shareholders (other than directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company were as follows:

Long Positions of Substantial Shareholders in the Shares of the Company

Name of Shareholder	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Credit Suisse Trust Limited	Trustee	156,349,960	46.61%
Unison Associates Limited	Held by controlled corporation	149,779,960	44.65%
	Beneficial Owner	6,570,000	1.96%
Allan Investment Company Limited	Beneficial Owner	134,821,960	40.19%
Webb, David Michael	Beneficial Owner	10,777,000	3.21%
	Held by controlled corporation	26,007,000 *(Note)*	7.75%
Preferable Situation Assets Limited	Beneficial Owner	26,007,000	7.75%

Note:

The reference to 26,007,000 shares above are held by Preferable Situation Assets Limited, a company 100% controlled by Mr. Webb, David Michael.

Save as disclosed above, as at 30 September 2019, the Company has not been notified by any persons (other than directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

On 8 August 2012 ("Adoption Date"), the then Shareholders of the Company passed a resolution to adopt the Share Option Scheme (the "Scheme") of the Company. The Scheme will remain in force for a period of ten years from the Adoption Date. At 30 September 2019, no option has been granted by the Company pursuant to the Scheme.

CLOSURE OF REGISTER

The Register of Shareholders will be closed from 19 December 2019 to 23 December 2019, both days inclusive, during which period no transfer of shares will be effected.

All transfers, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 18 December 2019 in order to qualify for the interim dividend above mentioned.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2019, there was no purchase, sale or redemption of the shares by the Company or any of its subsidiaries.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the six months ended 30 September 2019, except for the deviations herein below mentioned:

The CG Code Provision A.4.1

Under this code provision, the non-executive directors should be appointed for a specific term, subject to re-election.

Currently, none of the non-executive directors is appointed for a specific term. However, all non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-laws of the Company, and the terms of their appointment will be reviewed when they are due for re-election. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

The CG Code Provision A.4.2

Under this code provision, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Bye-laws of the Company, one third of the directors are subject to rotation at each annual general meeting and the Chairman and/or the Managing Director of the Company is not subject to retirement by rotation, which constitutes a deviation from the CG Code Provision A.4.2. The reason for the deviation is that the Directors of the Company do not consider that arbitrary term limits on Director's service are appropriate and the retirement by rotation has given the Company's shareholders the right to approve continuation of the service of the directors.

Further, Code Provision A.4.2 of Appendix 14 to the Listing Rules states that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting subject to retirement by rotation at least once every three years.

Due to the oversight of the board of directors of the Company, a resolution was not proposed at the annual general meeting of the Company held on 28 August 2019 to re-elect Ms. Choy Wai Sheun, Susan as an independent non-executive director. As a result, Ms. Choy has ceased to be an independent non-executive director upon the conclusion of the AGM.

The CG Code Provision A.5.1

Under this code provision, the Company should establish a nomination committee.

Currently, the Company does not have a nomination committee. The Board will identify individuals suitably qualified to become board members when necessary. The Board will give due consideration to the suitability of a candidate for directorship after taking into account of his/her experience, qualification and other relevant factors. All candidates must also meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

The CG Code Provision A.6.7

Under this code provision, independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders.

An independent non-executive director and a non-executive director, did not attend the annual general meeting of the Company held on 28 August 2019 due to other business engagements.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its Code of Conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed that they have complied with the required standards set out in the Model Code as provided in Appendix 10 of the Listing Rules.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee and the external auditors have reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2019. The Committee now comprises three independent non-executive directors of the Company.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our sincere appreciation to our employees, shareholders and business associates for their continual contribution and support throughout the year.

By Order of the Board
Allan International Holdings Limited
Cheung Shu Wan
Managing Director

Hong Kong, 29 November 2019

This interim report can also be accessed through the internet at the Company's Website http://www.allan.com.hk.